
**Economic Development,
Agriculture & Trade Committee**

SSB 5902

Brief Description: Establishing a small business innovation research program proposal review process.

Sponsors: Senate Committee on International Trade & Economic Development (originally sponsored by Senators Eide, Shin, Zarelli, Doumit, Rasmussen and Pflug).

Brief Summary of Substitute Bill

- Establishes a Small Business Innovation Research application assistance program at the Washington Technology Center.

Hearing Date: 3/29/05

Staff: Tracey Taylor (786-7196).

Background:

The Small Business Innovation Research (SBIR) program was established by the federal Small Business Innovation Development Act in 1982. In 1992, the SBIR program was expanded by the Small Business Research and Development (R&D) Enhancement Act of 1992, which extended the program through 2000. Subsequent legislation has extended the SBIR program to September 30, 2008.

The SBIR is a highly competitive program that encourages small businesses to explore their technological potential and provides the incentive to profit from its commercialization. The risk and expense of conducting serious R&D efforts are often beyond the means of small businesses; however, by reserving a specific percentage of federal R&D funds for small business, the SBIR puts small businesses on the same level as larger businesses. SBIR funds the critical startup and development stages and encourages the commercialization of the technology, product, or service.

Ten federal agencies set aside a portion of their extramural research and development budget each year to fund research proposals from small science and technology-based firms. The ten federal agencies are: the Department of Agriculture; the Department of Commerce; the Department of Defense; the Department of Education; the Department of Energy; the Department of Health and Human Services; the Department of Transportation; the Environmental Protection Agency; the National Aeronautics and Space Administration; and the National Science Foundation.

In order to participate in the SBIR program, a small business must be American-owned and independently operated for profit firm with 500 or less employees and employ the principal researcher.

Following the submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards or grants then begin a three phase program. Phase I is the startup phase with awards to small businesses of up to \$100,000 for approximately six months to support the exploration of the technical merit or feasibility of an idea or technology. Phase II awards up to \$750,000 to a small business that has completed Phase I for as many as two years, to expand on the Phase I results. During Phase II, the R&D work is performed and the commercialization potential is evaluated. Phase III moves the innovation from the laboratory into the marketplace. No SBIR funds support Phase III work, instead the business must find private sector and other non-SBIR funding to support this work.

In Fiscal Year 2002, Washington ranked 11th in SBIR awards, with a total of 135 Phase I and II awards totaling \$43.2 million.

Federal funds have been available to train small businesses on how to participate in the SBIR program. Nearly half of the small businesses that received such training won SBIR awards, whereas less than 10 percent of the companies without training won SBIR funding. The Washington Technology Center (WTC) has been the recipient of training funds and has been providing the SBIR application training for Washington businesses. However, Congress has eliminated the funding for the training program in its budget for this fiscal year.

Summary of Bill:

The WTC must establish a SBIR assistance program which shall included a proposal review process to train and assist Washington small businesses to win Phase I SBIR awards. Priority shall be given to first-time SBIR applicants, new businesses, and firms with fewer than 10 employees. The WTC may charge a fee for the assistance program.

Appropriation: The sum of \$45,000 for the biennium ending June 30, 2007.

Fiscal Note: Requested on March 23, 2005.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.